



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

INFORMATIONAL LETTER NO. 946

DATE: September 27, 2010

TO: Iowa Medicaid Habilitation and Home and Community Based Service (HCBS) Providers (Excluding Individual CDAC)

ISSUED BY: Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

RE: Cost of Room and Board and Work Services Contracts

We would like to provide additional guidance to Habilitation and Home and Community Based Waiver Service Providers regarding two cost report issues.

Room and Board Expenses

In accordance with 441 IAC Chapter 78.27(5)f, Chapter 78.41(1)e, and Chapter 78.41(10)d, Habilitation Services and Home and Community Based Waiver Services do not reimburse for room and board expenses. Where services are provided in a residential setting, there must be a clear differentiation between eligible service cost and room and board cost. There must also be a detailed cost allocation strategy to explain how the cost of services in the residential setting will be determined and segregated from ineligible room and board costs, as specified by 441 IAC Chapter 79.1(24)b(5) and Chapter 79.1(15)a(4). "Room" is defined as "hotel or shelter type expenses including all property related costs such as rental or purchase of real estate and furnishings, maintenance, utilities, and related administrative services." "Board" is defined as "three meals a day or any other full nutritional regimen."

When segregating "Room" expenses from allowable service expenses, the purpose or function for each occupancy space must be considered. Only expense related to space used exclusively for eligible service, that does not benefit the cost objective of providing room and board for the residents, can be reported as service expense on the cost report. This applies to the rent or depreciation expense of the property, as well as related utilities, maintenance, furnishings, etc.

When segregating "Board" expenses, more than the cost of food should be considered. The cost of kitchen appliances, cooks, occupancy expense related to food preparation and storage areas, etc., may also be considered "Board."

Cost Report preparers should ensure that Room and Board expenses have been properly identified and reported as Other Programs expense on the cost report.

Work Service/Production Expenses

Often, consumers will produce goods or provide services while receiving Prevocational or Supported Employment Services. Only the cost associated with each eligible service, incurred to achieve the consumer's specific goals as defined in a case plan, are allowable. All costs incurred to produce goods or services are not allowable and should be reported as Other Programs on the cost report.

Allowable program expense would primarily consist of direct care wages as well as administrative oversight and overhead. Expenses related to the production area, such as workshop rent or depreciation, utilities, production equipment, supplies, etc. would not be allowable program expense. Salary, benefit and payroll tax expense for employees whose duties include both the provision of eligible service and the production of a good or service should be allocated using a reasonable methodology. Consumer salary, benefit, and payroll tax expenses are not allowable for Medicaid reimbursement and are considered production expenses.

Cost Report preparers should ensure that production expenses have been properly identified and reported as Other Programs expense on the cost report.

Should you have any questions, please contact the IME Provider Cost Audit and Rate Setting Unit at 515-256-4610 or (866) 863-8610, or via email at costaudit@dhs.state.ia.us.